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ECONOMIC FORECASTING CENTER

MONTHLY PROJECTIONS
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CHRISTMAS SALES MAY DETERMINE WHETHER A RECESSION WILL OCCUR IN 1990

Economic activity clearly has slowed in recent months. Our monthly estimates of real GNP shows no change for the past three months. The slowing started as a result of weak manufacturing sales, partially caused by reduced export activity. These reduced sales led to minor inventory excesses that were quickly eliminated in September, except for autos. The problem with autos is the large price increases that manufacturers use early in a model year to provide a cushion for the dealer incentives that arrive later. This method of pricing insures volatile sales patterns. Auto sales have now plunged in the fall to less than anticipated by domestic producers. As a result, further inventory adjustments are expected in manufacturing through the winter.

Activity also has been slowed by continued weakness in construction. Hurricane Hugo probably dictated the bottom of the construction cycle, as activity was suspended in much of the South during September. Reduced interest rates and the need to rebuild after the hurricane and earthquake probably will generate modest construction increases while the auto inventory correction is taking place.

Of course, further weakness in manufacturing could develop, leading to a collapse in production and increased layoffs. Although most indicators continue to show growth ahead, corporate profits have plummeted in the third quarter. Cost cutting efforts to rebuild profits could raise unemployment and turn off consumer activity. At this juncture of the manufacturing correction, such a slump in consumer activity would mean a further decline in sales relative to production, leading to substantial employment cutbacks early next year. Thus, the Christmas selling season will be of more than normal interest.

So far, the Christmas indicators are mixed. Sales have been soft most of this year, with retail trade only 4.5% above previous year levels during the summer. However, back-to-school sales were strong, clothing sales are doing well despite substantial fall price mark-ups, and some growth in real earnings from growing service hours provides consumers with significant purchasing power. Retailers also note that an early

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Thanksgiving increases the number of Christmas shopping days. Furthermore, the weekend after Thanksgiving showed strong sales gains, by nearly 10% for a sampling of department stores. Catalog sales, which used to be a good indicator of consumer intentions, also have been strong. However, catalog activity may now indicate disenchantment with shopping and may signal a change in consumer shopping shares rather than any reason to expect stronger sales. Offsetting these favorable trends are surveys indicating that most consumers wish to spend no more this Christmas than a year ago. They are only spending earlier. If these intentions are realized, sales could weaken as Christmas approaches.

Most Christmas merchandise already has been made. Because of concerns about payment as a result of financing problems at the Campeau stores, production has been less than normal for Christmas. This may partially explain some of the manufacturing weakness late in the summer and early fall. However, a strong Christmas would mean that spring orders could be robust. As a result, the normally slow winter manufacturing period could show a little spark. This anticipation of future sales depends on the amount of promotion needed to clear the Christmas merchandise. Thus far, promotions have been substantial, but consumers have responded. Thus, the evidence remains mixed whether Christmas will be strong enough to turn manufacturing up early next year. Without such strength, a mild recession still could develop early in the new year.

EASTERN EUROPE-At this point, dramatic changes in Eastern Europe still cannot be effectively gauged in the economic outlook. Several points are worthy of consideration if the Iron Curtain truly has been torn down.

First, European defense, which uses $170 billion of U.S. budget outlays, could be sharply reduced. If the Soviet tanks withdraw, as they already have been asked to do in Hungary, American divisions can be decommissioned. An American presence in Europe would remain, but the American commitment could be reduced without seriously jeopardizing the defense of Europe. Such reductions in defense could lead to 3-5% real reductions in defense spending during the next few years. Goods already authorized would prevent any serious defense reductions next year, but declines could begin by the following fiscal year. Such a declining defense trend coupled with the build-up of social security surpluses provides the opportunity to eliminate meaningful government deficits by the middle of the new decade.

Such a turn toward peace will create dislocations, as each percentage decline in real defense spending means 35,000 lost jobs. By the middle of the decade, the job transfers could exceed 500,000. The northeast and the west would be most severely impacted, but reduced troop training also would impact forts in the south. If the defense savings are used to reduce the deficit and lower capital costs, the transfer of resources might be accomplished without a recession. However, some economic weakness is inevitable as the economy alters activity.

Second, European capital would flow east to rebuild the Eastern European countries. The capital flows would reduce interest in American assets, causing dollar weakness. Offsetting this will be higher inflation in Western Europe as resources are strained and the growth of Eastern European markets. Thus, world trade could again soar by 8-10% per year, with the United States receiving a gradually rising share as the weakened dollar and higher European inflation increase American competitiveness.

Initially, rising credits would finance the expansion of trade. However, as the European economies advance, increased production from the east will add to world supplies. Agricultural products almost certainly will become excessive, leading to another slump in farmland values by mid-decade. Industrial materials, such as chemicals, metals, and some container products also could be in excess capacity once the returns from industrialization of Eastern Europe commence. Thus, modest deflationary pressures could occur following a period of inflationary pressures during the rebuilding period.

Quarterly Profile of GNP

	1989-2	1989-3	1989-4	1990-1	1990-2	1990-3	1989 Annual	1990 Annual
Real:	2.7	2.5	0.8	1.9	1.5	1.5	2.9	1.7
Price:	4.6	2.9	3.8	4.1	4.6	4.7	3.8	4.3
Nominal:	7.3	5.6	4.8	6.2	6.2	6.4	6.9	6.2

Monthly Statistical Highlights

	Oct 1989	Nov 1989	Dec 1989
Payroll Employment		+132,000	+146,000
Index of Hours Worked		+0.1%	+0.1%
Household Employment		+143,000	+168,000
Civilian Unemployment Rate		5.3%	5.4%
Personal Income	+0.4%	+0.7%	+0.6%
Savings Rate	5.2%	5.6%	5.6%
Personal Consumption	+0.1%	+0.3%	+0.6%
Retail Sales		-0.2%	+0.5%
Auto Sales		9.4*	9.6*
Housing Starts		-0.8%	+0.4%
Housing Permits		-6.1%	0.6%
Construction Expenditures	0.3%	+2.3%	+1.3%
Business Inventories	+0.2%	+0.4%	+0.5%
Orders for Durable Goods		0.0%	-0.8%
Orders - Nondefense Capital Goods		+3.6%	-5.8%
Industrial Production		+0.3%	+0.4%
CPI		+0.4%	+0.3%
PPI		+0.0%	+0.2%
Consumption Deflator	+0.5%	+0.4%	+0.3%
Leading Indicators	-0.2%	+0.2%	-0.1%
Currency Index		-0.1%	-1.1%
Equity Index		-2.1%	+1.6%
Real GNP (annual rate)	+0.0%	+0.6%	+2.9%
M1 (annual rate)		+1.8%	+4.0%
M2 (annual rate)		+8.1%	+4.8%

* auto sales in millions

COMMENTARY

EMPLOYMENT-Payrolls grew strongly in October, although manufacturing payrolls continued to weaken slightly. The workweek fell sharply, but that was caused by the Boeing strike, which began during the survey week. Next month, 55,000 fewer jobs will be in transportation equipment because of the strike. Even with manufacturing job loss, 53% of manufacturers reported additional hiring as opposed to less than 50% during the previous two months. This suggests that manufacturing may be ending its slump once the strike is over.

The hourly earnings index rose 0.7%, suggesting that wage inflation may be intensifying slightly although composition shifts also could have caused the temporary surge in labor costs.

An unusually large percentage of workers are holding two or more jobs. This explains some of the discrepancy between the payroll and household estimates of employment. As a result of this increased moonlighting, payroll employment estimates probably will be adjusted downward when the next benchmark revision is made. The household surveys show no increase in employment since June. This should eventually lead to higher unemployment rates.

PERSONAL INCOME AND OUTLAYS-Rental income fell by $2 billion instead of increasing by nearly $8 billion because of the uninsured damage caused by Hurricane Hugo. Uninsured losses will be even larger in November as a result of the earthquake. On the other hand, farm subsidies should reappear after vanishing during the summer months. Also, private weekly earnings were up sharply, causing significant gains in wage earnings. Thus, personal income should show modest gains in October but then show greater increases in the next few months as the rental incomes return to normal.

Auto sales remain surprisingly weak following the summer incentives. This absence of any meaningful recovery suggests that the auto slump could be longer and deeper than currently projected. Other retail activity continued to show modest gains in October. However, the auto weakness should prevent any meaningful growth in consumption spending. While some growth in real consumption spending is expected in the fourth quarter, the annualized gains are less than 1%.

CONSTRUCTION-The timing of rebuilding following the natural disasters is difficult to determine. Public construction should be unusually strong during the next few months as repairs continue. A modest rebound in nonresidential construction also is likely. The rebound in housing starts during October should be reflected in additional residential construction expenditures. However, the gains in start were mostly in the South and reflect a rebound following Hugo. No surge in housing activity currently is expected. Building permits should remain weak for several more months as builders work through permits that already were issued but not used because of weather and financing problems.

BUSINESS ACTIVITY-Manufacturing inventories eased in September and should fall further in October because of a reduction of airplanes in process. However, auto inventories are again becoming excessive. Also, retail inventories are slightly large, suggesting that orders could remain sluggish during the fall as these inventories are brought back in line. Military orders fell less than expected in October, but further declines are likely. The weakness in October shipments partially reflects the Boeing strike. Further declines are likely in November before activity picks up again in December. Excluding aircraft, which should register strong orders through November, durable goods orders remain weak. Some improvement in information equipment orders is likely in the second half of next year, but orders currently are sluggish as new technology become available.

Most of the October dip in industrial production can be traced to the earthquake and the Boeing strike. Thus, some rebound should be expected as those events pass. On the other hand, no growth would have occurred in industrial activity if those two events were not significant. Thus, a return to sluggish industrial activity, especially as autos adjust for their excess inventories, is likely. As a result, capacity utilization should gradually ease during the next year. Obviously, not much commodity inflation should be generated. However, durable goods orders also may remain sluggish with this available but underutilized capacity.

PRICES-The October increase in the CPI is less worrisome than appears. Auto pricing is significant early in the model year as manufacturers pad dealer invoices to finance future incentive promotions. (Unfortunately, a side effect is to dramatically change prices between the close-out model and the new model, leading to a sales slump early in the new model year). Also, clothing prices rise when new fall fashions are presented. Seasonal factors still do not reflect these changing pricing patterns. Therefore, the CPI should increase more slowly during the next few months, although only 25% of new auto prices were included in the October report. Underlying inflation probably remains at 4.5%.

Sluggish industrial activity has again eliminated commodity inflation in November. Modest increases in commodity prices are expected next year as a result of a weaker dollar and labor cost pressures. Even so, inflationary projections have been reduced by nearly 0.5% because of sluggish industrial activity.

MISCELLANEOUS-Eastern European events suggest that the mark will be in strong demand while the dollar will lose some of its lustre. However, the trade balances are expected to improve slightly more than originally expected because of increased demand from Eastern Europe. Thus, the dollar's decline should be modest.

Falling oil prices during the summer are largely responsible for the substantial reduction in inventory profits. Oil prices are now rising but price declines for other industrial commodities should limit the rebound in inventory earnings.

FINANCIAL MARKETS

Although the monthly indicators show a decline in the household savings rate in August and September, only the August dip is really relevant. In September and October savings fell because of the loss of imputed rental income. The household sector's ability to provide funds to the credit markets was unaffected. Of course, rebuilding will raise housing investment, leading to a reduction in funds available, but these should be offset with a modest increase in personal savings. As a result, the household sector probably will have little influence upon interest rate movements in the next year.

Government deficits initially should increase as slow growth leads to poor revenue gains and as state and local governments engage in repair expenditures. Also, the corporate sector should be increasing its credit needs in the fall as inventories drift upward. Therefore, little further change in interest rates should develop until inventory reductions are underway in the winter. At that time, short-term interest rates could fall significantly while long-term interest rates may move modestly downward.

Reducing the rate of decline in rates will be reduced asset purchases by foreign investors as their attention shifts to Europe. Nevertheless, some decline in rates is likely early in the year.

After the inventory liquidations are completed by spring, interest rate pressures could gradually increase. Fortunately, reduced government deficits may reappear as defense spending is reduced and increased economic activity again adds to government revenues. Some upward drift in wage costs could be translated into higher inflation, leading to some rebound in long-term government yields during the second half of next year.

EQUITY MARKETS-Since July, the stock market has been running counter to the basic fundamental indicators. Adjusted profits have fallen sharply while interest rates have only modestly drifted downward. This should have led to declining equity values. However, only the drop in October showed any decline and that weakness has since been reversed. Of course, we are projecting improving operating profits and falling interest rates, which would justify higher stock prices. But stock prices should rally from a lower level. All this suggests that the market will fall modestly early next year. Adjusted for dividends, the returns should be down about 3% for the year. Returns are expected to be stronger for bonds.

However, the improving yield curve indicates that financial institutions, utilities and insurance companies should outperform the market. Also, a modest rebound in the energy sector should lead to gains for oil

servicing companies. Some retailing in the southwest may rebound as well. Later in the year, technology stocks should return to life, but this probably will not happen until the second half of next year.

In short, stock market investments over the next twelve months should be more selective. Buying the market should prove to be unrewarding. However, selective issues should continue to offer investment opportunities. Though 1990 is expected to be a poor year for equity investment, the degree of decline currently anticipated is not great.

EMPLOYMENT

	Payroll Employment		Index of Hours Worked		Household Civilian Employment		Civilian Unemployment Rate		Hourly Earnings	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	108101	108101	128.7	128.7	117113	117113	5.3	5.3	9.61	9.61
May	108310	108310	127.6	127.6	117215	117215	5.2	5.2	9.60	9.60
June	108560	108607	128.0	128.1	117541	117541	5.3	5.3	9.62	9.62
July	108793	108767	128.4	129.2	117743	117459	5.2	5.2	9.68	9.69
August	108884	108887	128.7	128.5	117929	117597	5.2	5.2	9.72	9.69
September	109125	109088	129.0	128.8	118115	117456	5.1	5.3	9.77	9.74
October	109316	109321	129.1	129.4	118328	117545	5.1	5.3	9.81	9.81
November	109506	109453*	129.3	129.5*	118524	117688*	5.1	5.3*	9.85	9.83*
December	109698	109599	129.5	129.6	118720	117850	5.1	5.4	9.88	9.87
January 1990	109843	109712	129.7	129.7	118896	117967	5.2	5.4	9.94	9.91
February	110015	109866	129.6	129.6	119046	118076	5.2	5.5	9.98	9.95
March	110187	110016	129.7	129.8	119195	118274	5.1	5.4	10.02	9.99
April	110326	110153	130.0	129.8	119353	118452	5.1	5.4	10.06	10.03
May	110469	110314	130.2	130.0	119517	118542	5.1	5.5	10.11	10.07
June	110615	110456	130.5	130.1	119668	118743	5.2	5.4	10.16	10.10
July	110736	110621	130.4	130.3	119814	118945	5.2	5.4	10.20	10.14
August	110881	110774	130.5	130.4	119966	119109	5.2	5.4	10.24	10.17
September	111026	110918	130.7	130.6	120118	119275	5.2	5.4	10.29	10.21

PERSONAL INCOME

	Personal Income		Wage & Salary		Personal Savings		Disposable Income		Personal Outlays	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	4.387	4.387	2.601	2.601	183.3	184.3	3.718	3.719	3.535	3.534
May	4.395	4.396	2.604	2.604	203.5	199.4	3.747	3.747	3.543	3.548
June	4.407	4.418	2.617	2.622	224.1	218.6	3.769	3.777	3.545	3.559
July	4.435	4.444	2.640	2.645	225.0	211.2	3.795	3.800	3.570	3.589
August	4.458	4.456	2.651	2.650	226.3	188.4	3.813	3.810	3.587	3.622
September	4.481	4.469	2.662	2.665	224.1	188.4	3.831	3.819	3.607	3.631
October	4.503	4.489*	2.680	2.689*	234.6	200.8*	3.850	3.836*	3.615	3.635*
November	4.527	4.519	2.698	2.703	232.7	214.5	3.871	3.862	3.638	3.648
December	4.551	4.544	2.716	2.718	230.8	216.5	3.892	3.884	3.661	3.668
January 1990	4.575	4.568	2.730	2.732	232.4	224.4	3.911	3.912	3.679	3.688
February	4.602	4.593	2.745	2.748	234.0	228.8	3.932	3.938	3.698	3.709
March	4.629	4.617	2.760	2.764	233.2	232.7	3.953	3.957	3.720	3.724
April	4.649	4.641	2.776	2.777	223.4	213.8	3.970	3.961	3.747	3.747
May	4.672	4.667	2.794	2.793	216.0	228.0	3.983	3.995	3.767	3.767
June	4.695	4.687	2.812	2.805	224.7	228.8	3.996	4.012	3.771	3.783
July	4.710	4.712	2.825	2.821	230.3	231.1	4.020	4.037	3.790	3.806
August	4.729	4.732	2.838	2.834	231.7	225.1	4.045	4.053	3.813	3.828
September	4.749	4.756	2.851	2.851	233.1	229.5	4.070	4.073	3.837	3.844

Fore. = August Forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSUMPTION

	Personal Consumption		Durables		Nondurables		Services		Consumption Real	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	3433.2	3432.1	477.3	477.4	1113.2	1112.9	1841.7	1841.8	2652.5	2652.4
May	3440.2	3445.0	467.7	466.5	1118.1	1126.7	1854.4	1851.9	2647.8	2651.5
June	3441.4	3455.4	466.0	469.1	1118.5	1125.0	1856.9	1861.3	2644.3	2657.1
July	3468.2	3484.6	468.5	479.5	1126.4	1129.5	1873.3	1875.6	2657.6	2673.2
August	3483.4	3517.6	470.1	498.9	1128.7	1126.9	1884.6	1891.7	2663.2	2700.5
September	3495.9	3526.3	468.9	492.8	1131.1	1130.5	1895.9	1903.0	2666.6	2699.8
October	3509.8	3530.0*	465.0	479.8*	1136.5	1134.9*	1908.3	1915.3*	2667.0	2691.0*
November	3531.3	3541.9	467.0	473.5	1142.3	1140.7	1922.0	1927.7	2671.2	2690.1
December	3552.8	3561.5	469.0	476.8	1148.1	1145.1	1935.7	1939.6	2675.3	2697.1
January 1990	3571.6	3581.3	469.7	478.7	1154.1	1149.9	1947.8	1952.7	2679.4	2703.3
February	3590.1	3602.6	471.2	481.6	1159.3	1155.9	1959.6	1965.1	2685.2	2710.7
March	3608.8	3617.3	472.9	479.2	1164.5	1160.8	1971.4	1977.3	2691.1	2711.7
April	3631.7	3639.8	477.2	484.1	1170.2	1166.3	1984.3	1989.4	2698.1	2719.1
May	3653.2	3659.2	478.6	486.9	1176.4	1171.0	1998.2	2001.3	2702.1	2723.0
June	3676.0	3675.0	481.3	485.6	1182.6	1176.0	2012.1	2013.4	2706.9	2723.1
July	3685.4	3697.3	473.9	490.4	1187.3	1181.3	2024.2	2025.6	2703.9	2730.5
August	3702.1	3718.9	473.7	495.7	1192.4	1186.0	2036.0	2037.2	2708.2	2736.7
September	3722.1	3734.0	477.0	493.8	1197.3	1190.8	2047.8	2049.4	2712.9	2735.8

RETAIL SALES

	Retail Sales		Non-Auto Durables		Auto (Million Units)		Nondurable Sales		Auto Sales	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	141.07	140.94	22.41	22.41	10.8	10.8	87.30	87.12	31.36	31.41
May	142.10	142.54	22.97	22.97	10.2	10.1	88.20	88.40	30.93	31.17
June	142.17	142.50	22.79	22.85	10.0	9.9	88.66	88.48	30.72	31.17
July	142.49	143.56	22.84	22.80	10.0	10.2	88.83	88.90	30.82	31.85
August	142.85	144.86	22.70	23.15	10.6	11.5	89.01	88.98	31.14	32.72
September	142.91	145.90	22.71	23.00	10.6	10.6	89.20	90.00	31.00	32.90
October	142.88	144.47	22.80	23.17	9.4	9.8	89.62	90.07	30.46	31.23
November	143.57	144.22*	22.88	23.26*	9.7	9.4*	90.08	90.53*	30.61	30.43*
December	144.26	144.94	22.96	23.39	9.8	9.6	90.54	90.88	30.76	30.67
January 1990	144.81	145.53	22.90	23.38	9.7	9.7	91.01	91.26	30.90	30.89
February	145.39	146.34	22.98	23.44	9.8	9.9	91.42	91.74	30.99	31.16
March	145.99	146.46	23.04	23.35	9.9	9.8	91.83	92.13	31.12	30.98
April	146.94	147.45	23.00	23.46	10.0	10.0	92.28	92.56	31.66	31.43
May	147.59	148.14	23.07	23.58	10.0	10.0	92.77	92.94	31.75	31.62
June	148.39	148.39	23.14	23.63	10.2	9.9	93.26	93.33	31.99	31.43
July	147.91	149.35	23.02	23.71	9.7	10.1	93.63	93.75	31.26	31.89
August	148.29	150.33	23.08	23.84	9.6	10.3	94.03	94.13	31.18	32.36
September	149.05	150.50	23.15	23.82	9.7	10.2	94.42	94.51	31.48	32.17

Fore. = August forecast
C.E. = Current Expectations
* = This item and those beyond it are projections.

CONSTRUCTION

	Housing Starts		Single Family Starts		Housing Permits		Construction Expenditures (Current)		Construction Expenditures (Real)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	1.343	1.343	1.029	1.029	1.334	1.334	415.8	414.8	345.0	346.5
May	1.309	1.308	0.977	0.977	1.347	1.347	418.2	420.4	346.2	351.8
June	1.400	1.406	0.975	0.972	1.300	1.308	414.7	416.9	342.7	349.0
July	1.404	1.420	0.989	1.026	1.305	1.281	419.5	409.6	345.0	341.7
August	1.422	1.329	1.005	0.990	1.315	1.328	421.4	415.8	344.8	343.2
September	1.439	1.268	1.021	0.961	1.332	1.319	423.8	415.6	344.8	342.6
October	1.445	1.420	1.025	1.027	1.329	1.328	426.5	416.6*	346.2	342.3*
November	1.461	1.408*	1.021	1.032*	1.345	1.247*	429.8	426.0	348.6	348.6
December	1.456	1.414	1.029	1.036	1.347	1.255	433.3	431.7	350.9	351.8
January 1990	1.443	1.402	1.025	1.025	1.328	1.244	434.5	430.7	350.4	349.3
February	1.461	1.404	1.028	1.026	1.343	1.283	436.2	429.4	349.8	346.9
March	1.478	1.416	1.031	1.032	1.351	1.277	438.1	429.4	349.6	345.7
April	1.485	1.410	1.033	1.023	1.366	1.293	440.1	431.7	350.1	346.2
May	1.481	1.447	1.038	1.029	1.374	1.302	442.4	433.8	350.6	346.5
June	1.477	1.440	1.036	1.036	1.365	1.317	445.3	434.9	351.7	346.0
July	1.466	1.436	1.031	1.035	1.355	1.313	448.0	435.8	352.5	345.3
August	1.474	1.449	1.025	1.038	1.366	1.331	449.3	437.7	352.1	345.7
September	1.482	1.450	1.020	1.042	1.378	1.357	451.4	439.6	352.4	345.3

	Non-Residential		Public Construction		Residential Construction	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	131.4	131.8	80.4	79.4	204.0	203.7
May	133.3	133.6	84.7	85.9	200.2	200.9
June	136.1	134.8	80.6	83.5	197.9	198.6
July	137.0	133.7	83.0	81.6	199.5	194.3
August	136.6	137.9	83.9	84.4	200.9	193.6
September	136.5	135.7	84.8	88.0	202.5	191.9
October	137.1	136.3*	83.8	87.2*	205.6	193.1*
November	137.7	138.9	83.3	89.4	208.8	197.7
December	138.4	139.4	82.9	90.3	212.0	202.0
January 1990	138.0	139.3	83.3	89.3	213.2	202.1
February	138.8	139.4	83.7	87.8	213.7	202.2
March	139.6	138.7	84.2	87.2	214.3	203.5
April	140.0	139.2	84.0	87.8	216.1	204.7
May	139.6	139.6	84.2	88.2	218.6	206.0
June	140.2	139.5	84.1	88.5	221.0	206.9
July	140.6	139.6	85.2	88.9	222.2	207.3
August	141.6	140.3	85.0	89.3	222.7	208.1
September	142.5	140.8	85.6	89.1	223.3	209.7

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BUSINESS ACTIVITY

	Manufacturers' Inventories		Durable Goods Orders		Non-Defense Capital Goods Orders		Non-Defense Capital Shipments	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	363.5	363.5	129.37	129.37	40.39	40.39	34.60	34.60
May	365.1	365.1	123.68	123.52	37.29	37.29	34.53	34.53
June	366.2	366.5	124.19	125.14	37.39	39.15	34.59	34.76
July	369.3	370.8	125.43	122.03	36.69	41.45	34.82	34.26
August	371.3	371.5	126.17	126.77	36.73	37.13	35.03	36.15
September	373.2	371.2	125.84	125.33	36.45	35.37	35.24	35.76
October	375.3	372.3*	124.76	124.59	35.64	36.50	35.06	34.63
November	377.4	373.5	124.43	124.65*	35.24	37.82*	34.93	34.17*
December	379.5	375.7	125.89	123.65	35.82	35.62	35.12	35.23
January 1990	381.2	377.6	126.14	125.43	35.98	36.43	35.66	35.67
February	383.2	380.8	127.35	125.21	36.27	36.36	35.87	36.03
March	385.1	382.4	127.53	125.86	36.41	36.73	35.94	36.34
April	386.0	384.0	128.56	125.95	36.98	36.92	36.45	36.58
May	386.9	385.5	128.85	125.46	37.23	36.77	36.51	36.71
June	387.8	386.8	129.18	125.45	37.64	36.72	36.69	36.74
July	388.6	388.1	130.14	126.33	37.83	37.63	36.81	36.91
August	389.6	389.6	130.42	126.44	37.95	36.93	36.95	37.05
September	390.5	390.9	129.64	126.31	37.82	36.83	36.90	37.13

	Business Inventories		Defense Shipments		Industrial Production		Capacity Utilization	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	771.3	771.3	8.63	8.63	141.6	141.7	84.1	84.2
May	778.1	778.1	8.70	8.70	141.4	141.6	83.8	84.0
June	780.8	780.8	9.20	9.23	141.1	142.0	83.5	84.0
July	783.3	787.6	8.86	8.19	141.4	141.9	83.5	83.7
August	785.1	790.4	8.94	8.94	141.8	142.4	83.6	83.8
September	787.0	791.8	9.02	9.24	142.2	142.4	83.7	83.6
October	792.6	793.2*	9.06	8.29	142.7	141.4	83.8	82.8
November	798.0	796.1	9.11	8.43*	143.2	141.8*	83.9	82.9*
December	803.4	799.7	9.16	8.73	143.6	142.3	84.0	83.1
January 1990	806.5	803.3	9.12	8.86	143.1	142.6	83.3	83.1
February	809.5	806.9	9.15	8.92	142.5	142.3	82.7	82.7
March	813.6	810.8	9.19	8.95	142.5	142.7	82.4	82.8
April	817.9	814.2	9.12	9.05	143.0	142.8	82.5	82.6
May	822.2	817.6	9.07	8.93	143.6	143.1	82.6	82.6
June	825.4	820.4	9.08	8.98	144.1	143.4	82.6	82.6
July	825.8	824.2	9.16	8.74	143.3	143.7	82.2	82.5
August	826.1	827.8	9.30	8.92	142.8	143.8	82.2	82.3
September	826.5	831.3	9.45	9.22	142.9	144.1	82.1	82.2

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PRICES

	CPI-U (seasonally adjusted)		PPI Finished Goods (seasonally adjusted)		PPI-Industrial Commodities (unadjusted)		Estimated GNP Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	123.3	123.3	113.1	113.1	111.8	111.7	125.5	125.5
May	124.0	124.0	114.1	114.1	112.3	112.4	126.1	125.9
June	124.2	124.2	113.9	114.0	112.2	112.3	126.4	126.2
July	124.7	124.5	113.7	113.5	112.0	112.2	126.7	126.6
August	125.0	124.5	113.5	113.1	112.1	111.7	127.0	126.7
September	125.3	124.7	114.0	114.1	111.6	112.1	127.5	127.0
October	125.8	125.3	114.3	114.5	112.6	112.9	128.0	127.5
November	126.2	125.8*	114.6	114.5*	112.9	113.0*	128.5	128.0
December	126.6	126.2	114.9	114.8	113.3	113.3	129.0	128.4
January 1990	127.0	126.6	115.2	115.1	114.0	113.8	129.4	128.8
February	127.5	127.0	115.5	115.4	114.6	114.3	129.8	129.3
March	128.0	127.5	115.8	115.9	115.2	115.0	130.2	129.7
April	128.5	128.0	116.3	116.4	115.7	115.5	130.7	130.2
May	129.0	128.5	116.8	116.8	116.1	116.0	131.1	130.7
June	129.5	129.1	117.2	117.2	116.5	116.2	131.6	131.3
July	130.1	129.5	117.7	117.4	117.0	116.5	132.0	131.7
August	130.8	130.0	118.2	117.7	117.4	116.1	132.5	132.2
September	131.5	130.6	118.7	118.1	116.5	116.2	133.0	132.8

	Consumption Deflator		Consumer Durables		Consumer Nondurables		Consumer Services		Implicit Construction Deflator	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	129.4	129.4	111.0	110.9	122.8	122.8	140.0	140.0	120.5	119.7
May	129.9	129.9	110.9	110.7	123.6	123.6	140.4	140.5	120.8	119.5
June	130.1	130.0	111.1	110.9	123.4	123.5	140.8	140.7	121.0	119.5
July	130.5	130.4	111.3	111.3	123.5	123.3	141.3	141.4	121.6	119.9
August	130.8	130.3	111.5	111.6	123.6	122.5	141.8	141.9	122.2	121.2
September	131.1	130.6	111.8	111.4	123.8	122.9	142.4	142.3	122.9	121.3
October	131.6	131.2*	112.0	111.8*	124.2	123.4*	143.0	142.7*	123.2	121.7*
November	132.2	131.7	112.2	112.3	124.7	123.8	143.6	143.1	123.3	122.2
December	132.8	132.1	112.4	112.4	125.2	124.3	144.2	143.5	123.5	122.7
January 1990	133.3	132.5	112.4	112.6	125.6	124.7	144.8	144.0	124.0	123.3
February	133.7	132.9	112.6	112.6	126.0	125.1	145.4	144.6	124.7	123.8
March	134.1	133.4	112.7	112.8	126.5	125.6	146.0	145.1	125.3	124.2
April	134.6	133.9	113.0	113.1	127.1	126.0	146.6	145.7	125.7	124.7
May	135.2	134.4	113.3	113.4	127.6	126.5	147.2	146.3	126.2	125.2
June	135.8	135.0	113.5	113.6	128.0	127.0	147.8	147.0	126.6	125.7
July	136.3	135.4	113.7	113.8	128.4	127.4	148.4	147.6	127.1	126.2
August	136.7	135.9	114.0	114.0	128.7	127.9	149.0	148.2	127.6	126.6
September	137.2	136.5	114.3	114.3	129.1	128.4	149.6	148.9	128.1	127.3

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MISCELLANEOUS

	Merchandise Trade Balance		Leading Indicators	Estimated GNP		Estimated GNP (1982 $)		IVA (annual rate)	
	Fore.	C.E.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	-8.29	-8 29	145.8	5175	5186	4124	4132	-35.3	-34.9
May	-8.83	-10.08	144.2	5197	5200	4121	4130	-18.4	-18.9
June	-8.71	-8.01	144.0	5211	5218	4123	4135	-15.3	-13.6
July	-8.73	-8.24	144.0	5246	5256	4140	4152	-19.9	- 9.3
August	-8.45	-10.12	144.7	5273	5276	4152	4164	-20.1	- 1.7
September	-8.93	-7.90	145.0	5301	5288	4158	4164	-19.2	- 2.5
October	-8.66	-8.46*	144.9	5334	5309	4167	4164	-20.6	- 6.3
November	-8.73	-9.15	145.2	5367	5332	4177	4166	-21.4	-10.6
December	-8.81	-8.96	145.0	5399	5362	4185	4176	-23.3	-11.4
January 1990	-8.16	-8.52	145.5	5416	5389	4185	4184	-31.1	-14.3
February	-8.05	-8.43	145.3	5428	5414	4182	4187	-30.2	-16.5
March	-7.95	-8.26	145.6	5441	5438	4179	4193	-27.6	-19.2
April	-8.16	-8.17	145.3	5477	5469	4191	4200	-21.1	-19.5
May	-8.24	-8.65	145.8	5512	5493	4204	4203	-14.9	-20.8
June	-8.36	-7.89	145.5	5547	5524	4215	4207	-16.7	-22.6
July	-8.12	-8.21	145.8	5563	5548	4214	4213	-20.6	-21.3
August	-8.28	-8.23	146.6	5582	5577	4213	4219	-25.3	-21.7
September	-8.36	-8.16	146.4	5602	5611	4212	4225	-29.9	-22.5

	Currency Index		Adjusted Profits		30-Year Government Bonds		New York Composite	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	97.24	97.24	165.9	170.3	8.89	9.03	170.34	169.38
May	100.81	100.81	176.2	167.6	8.85	8.83	175.56	175.30
June	103.09	103.09	177.3	180.8	8.46	8.27	180.90	180.76
July	98.43	99.12	178.4	166.4	8.31	8.08	188.43	185.15
August	97.12	100.44	171.7	168.5	8.22	8.12	187.72	192.83
September	95.76	101.87	164.0	154.7	8.13	8.15	185.43	193.02
October	94.43	98.92	168.5	156.1	8.18	8.00	185.67	192.49
November	94.82	98.81*	170.4	164.8	8.12	7.89*	183.19	188.43*
December	95.36	97.73	172.1	166.3	8.15	7.82	180.74	191.43
January 1990	96.25	97.59	164.8	171.1	7.81	7.76	172.25	190.67
February	95.46	96.21	160.1	166.9	7.73	7.73	165.76	188.62
March	94.86	96.03	158.2	167.5	7.68	7.76	159.50	185.95
April	93.26	95.43	165.5	166.8	7.72	7.81	158.77	183.54
May	92.94	95.51	171.2	167.5	7.66	7.84	159.38	183.61
June	92.96	94.43	171.5	168.3	7.70	7.83	163.46	184.72
July	92.15	95.31	167.3	168.4	7.68	7.98	162.53	181.36
August	91.82	95.42	161.6	170.1	7.63	8.06	165.12	181.37
September	91.56	95.46	155.8	171.3	7.69	8.22	167.83	179.09

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FINANCIAL MARKETS

	Monetary Base		M1		M2		Federal Funds		T-Bills (6 Mos.)	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	289.1	289.0	783.1	783.1	3081.1	3080.8	9.84	9.84	8.65	8.65
May	289.0	289.0	773.3	773.3	3071.8	3072.3	9.81	9.81	8.39	8.39
June	289.6	289.8	770.5	770.3	3087.3	3088.0	9.47	9.53	8.04	7.93
July	290.9	290.4	777.2	777.1	3119.1	3117.4	9.23	9.24	7.89	7.61
August	293.8	290.9	783.2	777.4	3136.1	3135.9	9.11	8.99	7.63	7.74
September	296.7	292.5	787.4	781.1	3153.2	3155.3	8.99	9.02	7.70	7.74
October	298.0	292.7	790.7	787.6	3171.6	3176.1	8.73	8.84	7.75	7.62
November	299.2	293.6*	794.4	788.8*	3190.3	3196.9*	8.77	8.63*	7.79	7.43*
December	299.9	293.9	797.8	791.4	3209.0	3209.4	8.70	8.32	7.80	7.21
January 1990	301.8	296.5	800.4	794.6	3223.6	3228.7	8.33	7.96	7.42	6.98
February	303.3	297.9	803.7	798.4	3237.2	3251.3	8.13	7.73	7.38	6.85
March	304.9	299.3	807.0	801.5	3250.9	3270.8	7.94	7.62	7.34	6.73
April	306.5	301.1	813.3	805.4	3272.1	3290.4	7.87	7.55	7.19	6.67
May	307.9	302.6	818.4	809.5	3294.0	3310.1	7.83	7.56	7.15	6.81
June	309.3	303.9	823.5	813.2	3315.8	3325.2	7.80	7.60	7.11	6.86
July	311.0	305.3	828.4	817.0	3331.6	3342.7	7.76	7.66	7.01	6.91
August	312.4	306.6	831.8	820.2	3352.5	3362.9	7.73	7.72	7.00	6.95
September	314.2	308.0	835.1	823.9	3373.3	3383.1	7.79	7.76	7.06	6.98

	Aaa (Seasoned)		Municipals (Bond Buyer)		(3 Month) Commercial Paper		90 Day CD's		Prime Rate	
	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.	Fore.	C.E.
April 1989	9.79	9.79	7.49	7.49	9.81	9.81	9.94	9.94	11.50	11.50
May	9.57	9.57	7.25	7.25	9.47	9.47	9.59	9.59	11.50	11.50
June	9.20	9.10	7.03	7.02	9.12	9.11	9.32	9.20	11.07	11.07
July	8.99	8.94	6.85	6.96	9.17	8.68	9.35	8.76	10.83	10.98
August	8.95	8.96	6.84	7.06	9.05	8.57	9.26	8.64	10.50	10.50
September	8.90	9.01	6.80	7.26	8.96	8.70	9.15	8.78	10.50	10.50
October	8.90	8.92	6.81	7.22	8.70	8.53	8.91	8.60	10.50	10.50
November	8.83	8.81*	6.73	7.11*	8.76	8.36*	8.97	8.50*	10.50	10.50*
December	8.76	8.73	6.67	7.03	8.68	8.08	8.92	8.21	10.50	10.02
January 1990	8.63	8.67	6.55	6.96	8.26	7.88	8.52	8.01	10.03	10.00
February	8.57	8.65	7.48	6.93	8.08	7.63	8.23	7.75	9.57	9.83
March	8.43	8.72	6.35	7.01	7.88	7.58	8.05	7.71	9.50	9.50
April	8.56	8.76	6.46	7.05	7.79	7.61	7.93	7.68	9.50	9.50
May	8.63	8.80	6.54	7.10	7.85	7.64	7.99	7.71	9.50	9.50
June	8.60	8.83	6.55	7.13	7.84	7.70	7.98	7.82	9.50	9.50
July	8.46	9.02	6.41	7.28	7.71	7.73	7.89	7.84	9.50	9.50
August	8.39	9.06	6.35	7.32	7.75	7.80	7.92	7.92	9.50	9.50
September	8.50	9.23	6.49	7.51	7.82	7.85	7.97	7.96	9.50	9.56

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